



The President's Daily Brief

17 February 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

A recent editorial in North Vietnam's official newspaper has accused both the US and South Vietnam of deliberately violating provisions of the Paris agreement of 27 January. (Page 1)

In South Vietnam, both sides have brought reinforcements into the strongly contested Sa Huynh area of southern Quang Ngai Province. (Page 2)

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Right-wing Lao cabinet ministers continue their vehement opposition to Prime Minister Souvanna Phouma's decision to divide portfolios in the new coalition government equally with the Communists. (Page 4)

Satisfaction over the dollar devaluation on the part of European Community leaders is mingled with considerable uncertainty and even disarray over what their next steps should be. (Page 5)

The dollar strengthened in Europe yesterday and was slightly weaker in Tokyo as an air of calm began to return to world money markets. (Page 6)

Dominican Republic troops claim to have killed three of the eight guerrillas that invaded the country on 3 February. (Page 7)

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NORTH VIETNAM

An editorial on 15 February in North Vietnam's official newspaper has criticized both the US and South Vietnam for deliberately violating the provisions of the Paris agreement of 27 January. Although the most vituperative sections are directed at the South Vietnamese, the editorial accuses the US of being unwilling to pressure Saigon into honoring the provisions of the accord. Hanoi also charges the US with needless delay in clearing the mines from North Vietnamese waters, turning military bases over to the South Vietnamese rather than dismantling them, and not providing detailed plans on its troop withdrawal program, as Hanoi claims is required by the Paris agreement.

The North Vietnamese claim that Saigon committed 2,000 violations during the first 15 days of the cease-fire and accuse the South Vietnamese of conducting "nibbling operations" into Communist-held territory in nearly all provinces of the country. Hanoi also chides Saigon for not releasing "approximately 10,000 military prisoners" as the agreement calls for.

The editorial is the most extensive propaganda criticism of the US by Hanoi since the signing of the agreement. The comments on prisoner releases appear to be in response to President Thieu's announcement that a large number of former Communist prisoners had asked to become ralliers.

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VIETNAM

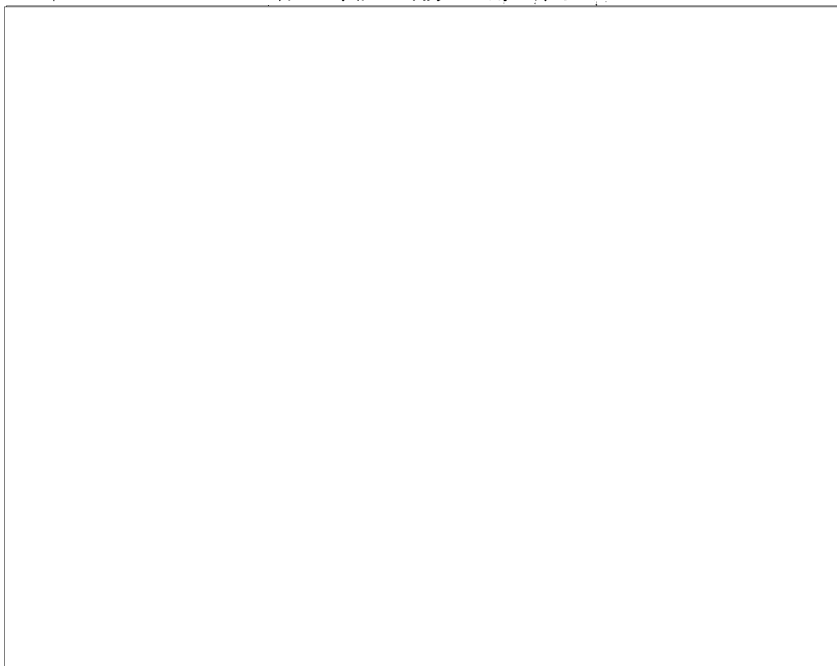
Both sides have brought reinforcements into the Sa Huynh area of southern Quang Ngai Province. The Communists, who still control the area, now have more than two regiments there. This is the only significant coastal territory in the central part of the country held by the Communists.

Communist military units in some parts of the country have been ordered to make an inventory of their holdings of weapons. According to intercepted messages, Viet Cong units in Binh Dinh Province have been instructed to locate and collect "all types" of damaged weapons, "whether Communist or government in origin," so that they can be exchanged for new weapons under terms of the cease-fire agreement.

Such a comprehensive inventory is likely to take some time. This may be one of the reasons the Communists did not designate within 15 days entry points for the replacement of war materiel as specified in the protocol on the Joint Military Commission.

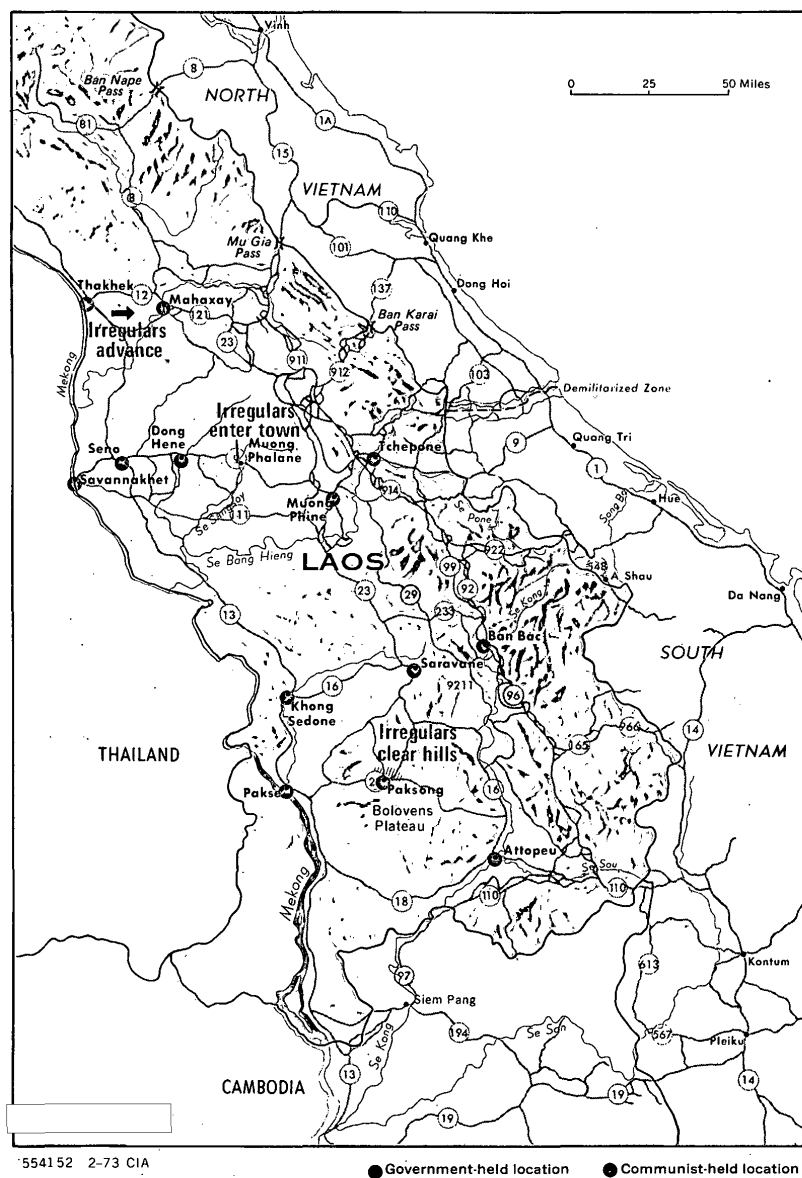
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LAOS

Right-wing cabinet ministers continue their vehement opposition to Prime Minister Souvanna Phouma's decision to divide portfolios in a new coalition government equally with the Communists. They have now been joined by General Kouprasith, deputy commander of the Lao Army, who says he will cooperate with other army generals in opposing Souvanna's concessions to the Communists.

Kouprasith, who led an abortive coup against Souvanna in 1964, gave no indication of what pressure he believes could be exerted on Souvanna. Faced with firm US support of the Prime Minister, the rightists may have little choice but to acknowledge the futility of further opposition to the proposed settlement.

* * *

The fighting has tapered off. Irregular troops on the Bolovens Plateau have secured the hills surrounding Paksong and are clearing small pockets of enemy troops from the outskirts of the town. Intercepted messages indicate that B-52 strikes have caused morale problems among North Vietnamese units near Paksong, but there are no signs that any units are pulling out of the area.

In the central panhandle, lead elements of an eight-battalion irregular force on 16 February moved back into the western half of Muong Phalane against little enemy resistance. Communist elements are still east of the Se Sangsoy River that divides the town. To the north, government units from Thakhek have reached a half-way point in their advance toward the Communist administrative center of Mahaxay.

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EUROPEAN COMMUNITIES

Satisfaction over the dollar devaluation is mingled with considerable uncertainty and even disarray on the part of European Community leaders over what their next steps should be. Much concern has been voiced that the EC institutions were bypassed and that fundamental differences among the members prevented a Community solution. There is a widespread feeling that the Communities must close ranks, not only in the monetary area, but also in the approaching trade negotiations. The finance ministers, for example, agreed this week to try to move more quickly toward EC monetary union, and the EC Council has urged the Communities to work out a common position on international monetary reform "without delay."

Meanwhile, Prime Minister Heath has called Community solidarity in the monetary reform discussions a "top priority," saying that progress in the trade talks requires the re-establishment of stability in the international payments system. In the European Parliament, Commission Vice-President Haferkamp has warned that the devaluation was "only part of the US long-term strategy" and that "other aspects of that strategy may be a challenge that the Communities should be ready to meet."

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INTERNATIONAL MONETARY DEVELOPMENTS

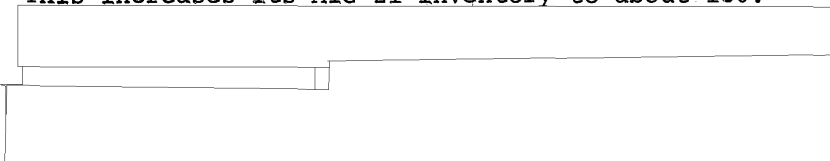
The dollar strengthened in Europe yesterday and was slightly weaker in Tokyo as an air of calm began to return to world money markets. By the close of trading in Tokyo, the yen had appreciated almost 17 percent relative to the dollar. Only small purchases by the central bank were reported. Japanese foreign exchange banks and trading companies reduced their surplus holdings of dollars last week and when the market reopened on Wednesday. Pressure on the yen will probably subside soon. The yen was essentially unchanged as trading opened today.

In Europe, rising Eurodollar interest rates and speculation that West German banks may impose a special charge on non-resident mark deposits added to the dollar's strength. Although the dollar's strong position within the new bands places a premium on dollar purchases, foreign exchange dealers reported that speculators were beginning to divest some of their large holdings in other hard currencies, especially marks--estimated to be worth about \$8 billion--accumulated since the crisis began. The dollar posted moderate gains against most European currencies, but it slipped slightly against the commercial lira. The price of gold in London declined 35 cents to \$73.30 from Thursday's record price.

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NOTES

North Korea: Pyongyang apparently has received a new shipment of MIG-21 fighters from the USSR. This increases its MIG-21 inventory to about 130.



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Dominican Republic: According to an armed forces communiqué, government troops late yesterday killed three of the eight guerrillas that invaded the country on 3 February. Colonel Francisco Caamano, legendary leader of the 1965 insurrection, was said to be among those killed. Confirmation of Caamano's death would help the government counteract the loss of prestige it suffered as a result of its failure for two weeks to eliminate the guerrillas.

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